

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Chippewa County	County Chippewa
Fiscal Year End December 31, 2006	Opinion Date April 30, 2007	Date Audit Report Submitted to State June 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

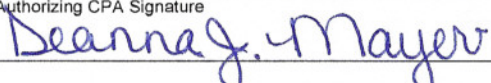
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>	Single Audit to Follow	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State Mi
		Zip 49788	
Authorizing CPA Signature 	Printed Name Deanna J. Mayer		License Number 1101028546

COUNTY OF CHIPPEWA, MICHIGAN

BASIC FINANCIAL STATEMENTS

December 31, 2006

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

CHAIRMAN	EARL KAY
VICE CHAIRMAN	TED POSTULA
COMMISSIONER	DON COOPER
COMMISSIONER	BERNARD LAJOIE
COMMISSIONER	JAMES MOORE
COMMISSIONER	SCOTT SHACKLETON
COMMISSIONER	RICHARD TIMMER

ELECTED OFFICERS

COUNTY TREASURER	MARILYN McDONALD
COUNTY CLERK	DIANE CORK
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	JEFF MORAN
COUNTY SURVEYOR	WILLIAM CARR
COUNTY DRAIN COMMISSSIONER	ANTHONY BOSLEY

JUDICIARY

CIRCUIT COURT	HON. NICHOLAS LAMBROS
PROBATE COURT	HON. LOWELL ULRICH
DISTRICT COURT	HON. MICHAEL MacDONALD

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Chairman and Members
Of the Board of Commissioners
County of Chippewa, Michigan
Sault Ste. Marie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information, of the County of Chippewa, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2007 on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparisons as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chippewa, Michigan basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Chippewa, Michigan. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007

Basic Financial Statements

County of Chippewa, Michigan

Statement of Net Assets December 31, 2006

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Units
ASSETS:				
Cash & Investments - Unrestricted	\$ 7,014,242	\$ 8,052,191	\$ 15,066,433	\$ 2,518,675
- Restricted	436,119	-	436,119	400,053
Receivables:				
Accounts	1,067,612	-	1,067,612	1,947,727
Taxes	3,387,751	1,000,633	4,388,384	-
Interest	280,064	189,941	470,005	878
Internal Loans	14,853	(14,853)	-	-
Due from Governmental Units	1,631,195	14,861	1,646,056	65,042
Due from Component Units	38,293	-	38,293	-
Inventories	49,700	-	49,700	816,143
Prepaid Expenses	55,368	-	55,368	182,822
Other Assets	-	-	-	1,551
Capital Assets (Net of Accumulated Depreciation)	9,927,967	-	9,927,967	94,747,194
TOTAL ASSETS	\$ 23,903,164	\$ 9,242,773	\$ 33,145,937	\$ 100,680,085
LIABILITIES:				
Current Liabilities:				
Short Term Notes Payable	\$ -	\$ -	\$ -	\$ 388,142
Accounts Payable	385,629	-	385,629	214,635
Accrued Liabilities	562,159	-	562,159	147,344
Advances	-	-	-	486,465
Accrued Interest Payable	128,529	-	128,529	-
Due to Governmental Units	176,884	45,544	222,428	40,591
Due to Primary Government	-	-	-	38,293
Deferred Revenue	2,089,160	-	2,089,160	38,293
Other Liabilities	19,437	-	19,437	10,369
Notes Payable - Current	-	-	-	53,297
Bonds Payable - Current	817,500	-	817,500	-
Installment Purchase Agreements Payable - Current	-	-	-	257,421
Capital Leases Payable - Current	55,950	-	55,950	5,223
Compensated Absences	-	-	-	10,810
Non-current Liabilities:				
Notes Payable	-	-	-	145,459
Bonds Payable	11,646,500	-	11,646,500	-
Capital Leases Payable	156,295	-	156,295	-
Installment Purchase Agreements Payable	-	-	-	744,118
Compensated Absences	552,319	-	552,319	665,540
TOTAL LIABILITIES	16,590,362	45,544	16,635,906	3,246,000
NET ASSETS:				
Invested in Capital Assets (net of related debt)	1,468,193	-	1,468,193	93,541,676
Restricted for County Road	-	-	-	3,003,838
Restricted for Transportation	-	-	-	467,738
Restricted for Debt Service	918,068	-	918,068	-
Restricted for Other Purposes	-	-	-	-
Unrestricted	4,926,541	9,197,229	14,123,770	420,833
TOTAL NET ASSETS	\$ 7,312,802	\$ 9,197,229	\$ 16,510,031	\$ 97,434,085

See accompanying notes to financial statements.

County of Chippewa, Michigan

Statement of Activities For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 140,452	\$ -	\$ -	\$ -	\$ (140,452)	\$ -	\$ (140,452)	\$ -
Judicial	2,100,965	482,622	806,232	-	(812,111)	-	(812,111)	-
General Government	2,402,924	395,156	910,478	-	(1,097,290)	-	(1,097,290)	-
Public Safety	3,999,355	1,798,345	1,081,050	-	(1,119,960)	-	(1,119,960)	-
Public Works	666,225	-	-	-	(666,225)	-	(666,225)	-
Health & Welfare	7,046,032	4,405,828	1,489,314	-	(1,150,890)	-	(1,150,890)	-
Community/Economic Development	240,885	-	240,885	-	-	-	-	-
Recreation & Culture	1,437	-	2,690	-	1,253	-	1,253	-
Interest expense - Unallocated	594,392	-	-	-	(594,392)	-	(594,392)	-
Other	808,716	-	203,958	-	(604,758)	-	(604,758)	-
Depreciation - Unallocated	570,582	-	-	-	(570,582)	-	(570,582)	-
Total Governmental Activities	18,571,965	7,081,951	4,734,607	-	(6,755,407)	-	(6,755,407)	-
Business-type activities:								
Tax Collection	37,091	659,926	-	-	-	622,835	622,835	-
Sheriff Commissary	85,780	111,499	-	-	-	25,719	25,719	-
Total Business-type Activities	122,871	771,425	-	-	-	648,554	648,554	-
Total Primary Government	\$ 18,694,836	\$ 7,853,376	\$ 4,734,607	\$ -	(6,755,407)	648,554	(6,106,853)	-
Component Units:								
Road Commission	\$ 6,161,722	\$ 1,511,791	\$ 4,710,968	\$ 3,237,885				3,298,922
Economic Development Corporation	2,815,841	2,258,837	78,472	1,546,604				1,068,072
E.U.P. Transportation Authority	3,466,964	1,316,102	1,567,245	494,307				(89,310)
Total Component Units	12,444,527	5,086,730	6,356,685	5,278,796				4,277,684
Total	\$ 31,139,363	\$ 12,940,106	\$ 11,091,292	\$ 5,278,796				
General Revenues and Transfers:								
Taxes					8,125,586	-	8,125,586	595,498
Local Sources and Other					1,720,384	-	1,720,384	135,139
Investment Earnings (Loss)					733,912	98,653	832,565	106,622
Transfers					45,000	(45,000)	-	-
Total General Revenues and Transfers					10,624,882	53,653	10,678,535	837,259
Changes in Net Assets					3,869,475	702,207	4,571,682	5,114,943
Net Assets - Beginning					3,378,368	8,464,872	11,843,240	92,319,142
Residual Equity Transfers					64,959	30,150	95,109	-
Net Assets - Ending					\$ 7,312,802	\$ 9,197,229	\$ 16,510,031	\$ 97,434,085

See accompanying notes to financial statements.

County of Chippewa, Michigan

Balance Sheet Governmental Funds December 31, 2006

	General	Revenue Sharing Reserve	Health Department	Ambulance	Chippewa County Recycling	Jail Expansion Bond Retirement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:								
Cash & Investments - Unrestricted	\$ 1,386,643	\$ 1,991,713	\$ 1,147,849	\$ 237,297	\$ 291,726	\$ 900,814	\$ 957,085	\$ 6,913,127
- Restricted	-	-	436,119	-	-	-	-	436,119
Receivables:								
Accounts	-	-	1,003,547	-	-	-	64,065	1,067,612
Taxes	445,161	1,590,615	-	379,522	442,024	530,429	-	3,387,751
Interest	197,951	61,278	-	-	-	17,254	3,581	280,064
Due from Other Funds	496,360	-	-	-	-	-	38,293	534,653
Due from Governmental Units	446,904	-	414,922	-	-	-	703,011	1,564,837
Prepaid Expenses	16,805	-	37,997	-	-	-	566	55,368
TOTAL ASSETS	<u>\$ 2,989,824</u>	<u>\$ 3,643,606</u>	<u>\$ 3,040,434</u>	<u>\$ 616,819</u>	<u>\$ 733,750</u>	<u>\$ 1,448,497</u>	<u>\$ 1,766,601</u>	<u>\$ 14,239,531</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ 15,018	\$ -	\$ -	\$ -	\$ -	\$ 427,404	\$ 442,422
Accounts Payable	59,043	-	214,749	734	-	-	111,103	385,629
Accrued Liabilities	222,421	-	307,752	-	-	-	31,986	562,159
Other Liabilities	-	-	18,913	-	-	-	524	19,437
Due to Governmental Units	-	-	65,525	-	-	-	-	65,525
Deferred Revenue	445,161	-	287,088	379,522	442,024	530,429	4,936	2,089,160
Compensated Absences	-	-	205,528	-	-	-	-	205,528
TOTAL LIABILITIES	<u>726,625</u>	<u>15,018</u>	<u>1,099,555</u>	<u>380,256</u>	<u>442,024</u>	<u>530,429</u>	<u>575,953</u>	<u>3,769,860</u>
FUND BALANCES:								
Reserved	-	3,628,588	-	-	-	-	-	3,628,588
Unreserved:								
Designated	-	-	1,511,454	236,563	291,726	918,068	1,190,648	4,148,459
Undesignated	2,263,199	-	429,425	-	-	-	-	2,692,624
TOTAL FUND BALANCES	<u>2,263,199</u>	<u>-</u>	<u>1,940,879</u>	<u>236,563</u>	<u>291,726</u>	<u>918,068</u>	<u>1,190,648</u>	<u>10,469,671</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,989,824</u>	<u>\$ 15,018</u>	<u>\$ 3,040,434</u>	<u>\$ 616,819</u>	<u>\$ 733,750</u>	<u>\$ 1,448,497</u>	<u>\$ 1,766,601</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:								
Capital assets used by governmental activities								9,927,967
Long-term notes & leases payable for governmental activities								(12,676,245)
Compensated absences liability								(346,791)
Internal service funds included in governmental activities								66,729
Accrued interest expense								(128,529)
Net assets of governmental activities								<u>\$ 7,312,802</u>

County of Chippewa, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2006

	General	Revenue Sharing Reserve	Health Department	Ambulance	Chippewa County Recycling	Jail Expansion Bond Retirement	Non-Major Governmental Funds	Totals Governmental Funds
REVENUES:								
Taxes	\$ 5,267,575	\$ 1,590,615	\$ -	\$ 351,732	\$ 409,860	\$ 505,804	\$ -	\$ 8,125,586
License and Permits	42,129	-	-	-	-	-	3,915	46,044
Federal Sources	506,158	-	-	-	-	-	1,054,047	1,560,205
State Sources	1,250,157	-	1,244,455	-	-	-	143,132	2,637,744
Local Sources	286,417	-	225,856	-	-	-	881,025	1,393,298
Charges for Services	1,893,604	-	4,405,828	-	-	-	163,262	6,462,694
Interest & Rentals	605,774	71,611	865	-	-	26,222	29,440	733,912
Fees and Collections	-	-	-	-	-	-	584,790	584,790
Fines and Forfeitures	81,275	-	-	-	-	-	3,500	84,775
Other Revenue	357,109	-	257,374	300	-	-	164,186	778,969
TOTAL REVENUES	10,290,198	1,662,226	6,134,378	352,032	409,860	532,026	3,027,297	22,408,017
EXPENDITURES:								
Legislative	140,452	-	-	-	-	-	-	140,452
Judicial	2,079,578	-	-	-	-	-	11,779	2,091,357
General Government	2,420,500	-	-	-	-	-	43,732	2,464,232
Public Safety	2,688,256	-	-	-	-	-	1,807,090	4,495,346
Public Works	-	-	-	-	415,000	-	251,225	666,225
Health & Welfare	276,657	-	6,101,053	260,956	-	-	490,002	7,128,668
Community/Economic Development	-	-	-	-	-	-	240,885	240,885
Recreation & Culture	-	-	-	-	-	-	1,437	1,437
Capital Outlay	86,867	-	-	-	-	-	-	86,867
Debt Service	-	-	-	-	-	322,970	1,040,258	1,363,228
Other Expenditures	778,801	-	-	-	-	-	-	778,801
TOTAL EXPENDITURES	8,471,111	-	6,101,053	260,956	415,000	322,970	3,886,408	19,457,498
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,819,087	1,662,226	33,325	91,076	(5,140)	209,056	(859,111)	2,950,519
OTHER FINANCING SOURCES (USES):								
Note/Lease Proceeds	-	-	90,306	-	-	-	-	90,306
Operating Transfers In	801,027	-	50,000	-	-	-	1,442,809	2,293,836
Operating Transfers Out	(1,248,735)	(632,054)	-	(79,551)	-	(108,873)	(179,623)	(2,248,836)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,371,379	1,030,172	173,631	11,525	(5,140)	100,183	404,075	3,085,825
FUND BALANCES, JANUARY 1	891,820	2,598,416	1,767,248	225,038	296,866	817,885	786,573	7,383,846
FUND BALANCES, DECEMBER 31	\$ 2,263,199	\$ 3,628,588	\$ 1,940,879	\$ 236,563	\$ 291,726	\$ 918,068	\$ 1,190,648	\$ 10,469,671

See accompanying notes to financial statements.

County of Chippewa, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2006

Net Changes in fund balances - total governmental funds \$ 3,085,825

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$722,407) exceeded depreciation (\$650,126) and loss on disposal (\$4,002) in the current period.

68,279

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bond & Notes Payable

752,500

Capital lease

60,390

Lease proceeds recognized as other financing sources
but not for full accrual basis

(90,306)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences

(10,871)

Accrued Interest Expense

15,235

Internal service fund activity

(11,577)

Changes in net assets of governmental activities

\$ 3,869,475

County of Chippewa, Michigan

Statement of Net Assets Proprietary Funds December 31, 2006

	Enterprise Funds			Governmental Activities
	Tax Collections	Sheriff Commisary	Totals	Internal Service Funds
ASSETS:				
Cash & Investments	\$ 8,041,322	\$ 10,869	\$ 8,052,191	\$ 101,115
Taxes Receivable	1,000,633	-	1,000,633	-
Inventories	-	-	-	49,700
Due from Other Units	14,861	-	14,861	66,358
Accrued Interest Receivable	189,941	-	189,941	-
TOTAL ASSETS	<u>\$ 9,246,757</u>	<u>\$ 10,869</u>	<u>\$ 9,257,626</u>	<u>\$ 217,173</u>
LIABILITIES:				
Due to Other Funds	\$ 14,853	\$ -	\$ 14,853	\$ 39,085
Accounts Payable	-	-	-	-
Other Liabilities	-	-	-	111,359
Due to Other Governmental Units	45,544	-	45,544	-
TOTAL LIABILITIES	<u>60,397</u>	<u>-</u>	<u>60,397</u>	<u>150,444</u>
NET ASSETS:				
Unrestricted	<u>9,186,360</u>	<u>10,869</u>	<u>9,197,229</u>	<u>66,729</u>
TOTAL NET ASSETS	<u>\$ 9,186,360</u>	<u>\$ 10,869</u>	<u>\$ 9,197,229</u>	<u>\$ 66,729</u>

County of Chippewa, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2006

	Enterprise Funds			Governmental Activities
	Tax Collections	Sheriff Commisary	Totals	Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 266,970	\$ 111,499	\$ 378,469	\$ 2,310,181
Penalties and Interest Charges	392,956	-	392,956	-
Total Operating Revenues	659,926	111,499	771,425	2,310,181
OPERATING EXPENSES:				
Personal Services	13,710	-	13,710	-
Premium Reimbursements	-	-	-	2,174,948
Fees & Claims	-	-	-	127,257
Other Supplies and Expenses	23,381	85,780	109,161	19,553
Total Operating Expenses	37,091	85,780	122,871	2,321,758
OPERATING INCOME (LOSS)	622,835	25,719	648,554	(11,577)
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	98,653	-	98,653	-
Total Non-operating Revenues (Expenses)	98,653	-	98,653	-
INCOME (LOSS) BEFORE TRANSFERS	721,488	25,719	747,207	(11,577)
Operating Transfers In	3,000,000	-	3,000,000	-
Operating Transfers Out	(3,000,000)	(45,000)	(3,045,000)	-
CHANGE IN NET ASSETS	721,488	(19,281)	702,207	(11,577)
NET ASSETS, JANUARY 1	8,464,872	-	8,464,872	13,347
ADJUSTMENTS TO NET ASSETS				
Residual Equity Transfers	-	30,150	30,150	64,959
NET ASSETS, DECEMBER 31	<u>\$ 9,186,360</u>	<u>\$ 10,869</u>	<u>\$ 9,197,229</u>	<u>\$ 66,729</u>

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2006

	Business - type Activities			Governmental Activities
	Enterprise Fund Tax Collections	Sheriff Commissary	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 3,173,704	\$ 111,499	\$ 3,285,203	\$ 2,243,823
Payments to Suppliers	(2,711,840)	(85,780)	(2,797,620)	(2,215,187)
Payments to Employees	(13,710)	-	(13,710)	-
Internal Activity - Payments to Other Funds	1,985	-	1,985	7,520
Net Cash Provided (Used) by Operating Activities	450,139	25,719	475,858	36,156
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Residual Equity Transfers	-	30,150	30,150	(64,959)
Operating Transfers In	3,000,000	-	3,000,000	-
Operating Transfers Out	(3,000,000)	(45,000)	(3,045,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	(14,850)	(14,850)	(64,959)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	98,653	-	98,653	-
Net Cash Provided (Used) by Investing Activities	98,653	-	98,653	-
Net Increase (Decrease) in Cash and Cash Equivalents	548,792	10,869	559,661	(28,803)
Balances - Beginning of the Year	7,492,530	-	7,492,530	129,918
Balances - End of the Year	\$ 8,041,322	\$ 10,869	\$ 8,052,191	\$ 101,115
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 622,835	\$ 25,719	\$ 648,554	\$ (11,577)
Adjustments to Reconcile Operating Income (Loss) to Net cash Provided (Used) by Operating Activities.				
Change in Assets and Liabilities:				
(Increase)Decrease in Assets:				
Taxes Receivable	(29,837)	-	(29,837)	-
Accrued Interest Receivable	(163,852)	-	(163,852)	-
Inventory	-	-	-	(4,788)
Due from Other Governmental Units	(1,985)	-	(1,985)	(66,358)
Increase(Decrease) in Liabilities:				
Due to Other Governmental Units	28,032	-	28,032	-
Accounts Payable	(7,039)	-	(7,039)	-
Other Liabilities	-	-	-	111,359
Due to Other Funds	1,985	-	1,985	7,520
Net Cash Provided (Used) by Operating Activities	\$ 450,139	\$ 25,719	\$ 475,858	\$ 36,156

County of Chippewa, Michigan

Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash & Investments - Unrestricted	<u>\$ 1,720,158</u>
 TOTAL ASSETS	 <u><u>\$ 1,720,158</u></u>
 LIABILITIES:	
Due to Other Governmental Units	\$ 146,307
Other Liabilities	8,961
Undistributed Tax Collections	1,267,545
Undistributed Receipts	<u>297,345</u>
 TOTAL LIABILITIES	 <u><u>\$ 1,720,158</u></u>

Component Units

County of Chippewa, Michigan

Statement of Net Assets Component Units December 31, 2006

	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority	Totals
ASSETS:				
Cash & Investments - Unrestricted	\$ 1,438,492	\$ 406,460	\$ 673,723	\$ 2,518,675
- Restricted	-	380,053	20,000	400,053
Receivables:				
Interest	-	878	-	878
Accounts	1,684,710	197,113	65,904	1,947,727
Due from Governmental Units	-	-	65,042	65,042
Inventory	774,093	42,050	-	816,143
Prepaid Expense	175,178	-	7,644	182,822
Other Assets	-	-	1,551	1,551
Capital Assets (net)	64,107,313	21,148,407	9,491,474	94,747,194
TOTAL ASSETS	\$ 68,179,786	\$ 22,174,961	\$ 10,325,338	\$ 100,680,085
LIABILITIES:				
Current Liabilities:				
Short Term Note Payable	\$ -	\$ 388,142	\$ -	\$ 388,142
Accounts Payable	101,540	51,737	61,358	214,635
Due to Governmental Units	2,625	35,665	2,301	40,591
Amounts Due to Primary Government	-	38,293	-	38,293
Deferred Revenue	-	38,293	-	38,293
Accrued Liabilities	55,715	-	91,629	147,344
Advances	486,465	-	-	486,465
Other Liabilities	5,000	-	5,369	10,369
Notes Payable - Current	-	13,143	40,154	53,297
Leases Payable - Current	-	5,223	-	5,223
Compensated Absences	-	-	10,810	10,810
Installment Purchase Agreements Payable - Current	257,421	-	-	257,421
Non-Current Liabilities:				
Notes Payable	-	15,104	130,355	145,459
Installment Purchase Agreements Payable	744,118	-	-	744,118
Compensated Absences	417,290	53,591	194,659	665,540
TOTAL LIABILITIES	2,070,174	639,191	536,635	3,246,000
NET ASSETS:				
Invested in Capital Assets, net of related debt	63,105,774	21,114,937	9,320,965	93,541,676
Restricted for County Road	3,003,838	-	-	3,003,838
Restricted for Transportation	-	-	467,738	467,738
Unrestricted	-	420,833	-	420,833
TOTAL NET ASSETS	66,109,612	21,535,770	9,788,703	97,434,085
TOTAL LIABILITIES AND NET ASSETS	\$ 68,179,786	\$ 22,174,961	\$ 10,325,338	\$ 100,680,085

See accompanying notes to financial statements.

County of Chippewa, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	E.U.P. Transportation Authority	Total
Road Commission:								
Public Works	\$ 6,161,722	\$ 1,511,791	\$ 4,710,968	\$ 3,237,885	\$ 3,298,922	\$ -	\$ -	\$ 3,298,922
Economic Development Corporation:								
Economic Development	2,815,841	2,258,837	78,472	1,546,604	-	1,068,072	-	1,068,072
E.U.P. Transportation Authority:								
Public Works	3,466,964	1,316,102	1,567,245	494,307	-	-	(89,310)	(89,310)
Total Component Units	<u>\$ 12,444,527</u>	<u>\$ 5,086,730</u>	<u>\$ 6,356,685</u>	<u>\$ 5,278,796</u>	<u>3,298,922</u>	<u>1,068,072</u>	<u>(89,310)</u>	<u>4,277,684</u>
General Revenues:								
Taxes					595,498	-	-	595,498
Investment Earnings					69,944	27,502	9,176	106,622
Other					135,139	-	-	135,139
Total General Revenues and Transfers					<u>800,581</u>	<u>27,502</u>	<u>9,176</u>	<u>837,259</u>
Changes in Net Assets					4,099,503	1,095,574	(80,134)	5,114,943
Net Assets - Beginning					62,010,109	20,440,196	9,868,837	92,319,142
Net Assets - Ending					<u>\$ 66,109,612</u>	<u>\$ 21,535,770</u>	<u>\$ 9,788,703</u>	<u>\$ 97,434,085</u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Chippewa, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:**Financial Reporting Entity**

The County of Chippewa was incorporated under the laws of the State of Michigan in 1877 and operates under an elected Commission form of government. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Chippewa (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

Chippewa County Health Department – The members of the governing body of the Chippewa County Health Department are appointed by the County Commission. The Health Department provides limited health services to residents of Chippewa County. The Chippewa County Health Department is a Special Revenue fund of the County of Chippewa, Michigan, and is presented on its fiscal year end, September 30, 2006.

Discretely Presented Component Units

The component units' columns in the financial statements include the financial data of the County's two other component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Chippewa County Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, travel, and per diem rates, bonded debt must be approved by the County Commission.

Eastern Upper Peninsula Transportation Authority – The members of the governing board of the Transportation Authority are appointed as follows: Three members by Chippewa County and two members by Luce County. The County exercises oversight responsibility and has accountability of fiscal matters. The Transportation Authority is a September 30, 2006 year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chippewa County Economic Development Corporation – The members of the governing board are jointly appointed by the County and other governmental units. The Corporation's capital budgets are subject to approval of the County Commission. The county generally is liable for disallowed grant expenditures as well.

Condensed Financial Statements – The combining financial statements present condensed financial statements of each of the two discretely presented component units. Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Discretely Presented Component Units Administrative Offices:

Chippewa County Road Commission
3949 S. Mackinac Trail
Sault Ste. Marie, MI 49783

Chippewa County Economic Development Corporation
119 Cully Road, Bldg. 119
Kincheloe, MI 49788

Eastern Upper Peninsula Transportation Authority
4001 I-75 Business Spur
Sault Ste. Marie, MI 49783

Blended Component Unit Administrative Offices:

Chippewa County Health Department
508 Ashmun, Suite 120
Sault Ste. Marie, MI 49783

Multi-County Agency

Hiawatha Behavioral Health Authority -The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. All financial operations of the Authority are recorded in Schoolcraft County. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$171,334 for the year ended December 31, 2006.

Department of Human Services – The Department of Human Services in 2004 became a Zone 1 Regional DHS which accounted for the activities of the following counties: Delta, Menominee, Dickinson, Iron, Schoolcraft, Gogebic, Ontonagon, Alger, Chippewa, Houghton, Keweenaw, Luce, Marquette and Baraga. Each county maintains its own three member DHS board, two appointed by the County and one appointed by the Michigan Governor, but the financial activity is reported in Delta County's financial report because the treasury function of the Agency rests with the Delta County Treasurer.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Jointly Organized Property**

The County owns a building jointly with the City of Sault Ste. Marie, Michigan. The operations are governed by a four-member group of individuals. During 2006, the County remitted payments to the City of \$126,189 for their share of the costs of operations.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable – Current or Property Taxes

The County of Chippewa property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Chippewa as of the preceding December 31st.

Although the County of Chippewa 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Chippewa's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2005 taxable valuation of the County of Chippewa totaled \$850,751,607, on which ad valorem taxes levied consisted of 3.9870 mills for the County operating, .4173 mills for fire/ambulance services, .9687 mills for roads, .4861 mills for recycling, and .6000 mills for debt service. These amounts are recognized in the respective General, Special Revenue Fund, Debt Service Fund, and Component Unit financial statements as revenue.

The July 1, 2006 taxable valuation of the County of Chippewa totaled \$897,212,364, on which ad valorem taxes levied consisted of 3.9542 mills for the General Fund, this amount is recognized in the General Fund as revenue and the uncollected portion at December 31, 2006 as deferred revenue.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve

This fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

Health Department

This fund accounts for health services and related grant funds.

Ambulance

This fund accounts for the collection of the tax millage for the local ambulance operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chippewa County Recycling

This fund accounts for the collection of the tax millage for the recycling center operated by Northern Transitions, Inc.

Jail Expansion Bond Retirement

This fund accounts for the jail millage tax revenues and debt payment of the 1999 Building Authority Bonds.

The County reports the following major proprietary fund:

Tax Collection Fund

This fund accounts for property tax administration within the county.

Sheriff Commisary Fund

This fund accounts for the internal activity of jail inmates.

Additionally, the County reports the following fund types:

Internal Service Fund

This fund accounts for central purchases as provider to other departments of the government on a cost reimbursement basis.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is generally allocated to each fund based on the average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaids Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of paper and office supplies. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads and Bridges	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) – It is the County of Chippewa’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three years or more of service with the County of Chippewa. All vacation pay is accrued when incurred in the government-wide financial statements.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulating sick-leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Board of Commissioners reviews a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year, the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. Supplemental appropriations are submitted to and reviewed and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's office through a budget revision.
- f. The County of Chippewa adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- g. Budgets were adopted in substance on the modified accrual basis which is consistent with U.S. generally accepted accounting principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.
- h. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County General Fund and all budgets lapse at year end.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principals require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds – Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Health Department's actual expenditures and budgeted expenditures for the budgetary fund had been shown on a functional basis. The budget is adopted at the functional level. During the year ended September 30, 2006, the Health Department incurred expenditures which were in excess of the amount appropriated.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Investments					
-Unrestricted	\$ 7,014,242	\$ 8,052,191	\$ 1,720,158	\$ 16,786,591	\$ 2,918,728
-Restricted	<u>436,119</u>	<u>-</u>	<u>-</u>	<u>436,119</u>	<u>-</u>
Total	<u>\$ 7,450,361</u>	<u>\$ 8,052,191</u>	<u>\$ 1,720,158</u>	<u>\$ 17,222,710</u>	<u>\$ 2,918,728</u>

The categories of deposits and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 17,145,344	\$ 2,339,356
Investment:		
Repurchase agreement	74,086	-
Public Money Market Funds	-	576,992
Petty Cash and Cash on Hand	<u>3,280</u>	<u>2,380</u>
Total	<u>\$ 17,222,710</u>	<u>\$ 2,918,728</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The County has no investments for which ratings are required.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$16,914,519 of the County's bank balance of \$17,306,934 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Revenue Reserve	Health Department	Jail Expansion Bond Retirement	Non-Major and Other Funds	Total
Taxes Receivable	\$ 445,161	\$ 1,590,615	\$ -	\$ 530,429	\$ 821,546	\$ 3,387,751
Accounts Due from Government	-	-	1,003,547	-	64,065	1,067,612
Units	446,904	-	414,922	-	703,011	1,564,837
Interest Receivables	<u>197,951</u>	<u>61,278</u>	<u>-</u>	<u>17,254</u>	<u>3,581</u>	<u>280,064</u>
Net Receivables	<u>\$ 1,090,016</u>	<u>\$ 1,651,893</u>	<u>\$ 1,418,469</u>	<u>\$ 547,683</u>	<u>\$ 1,592,203</u>	<u>\$ 6,300,264</u>

The allowance for uncollectibles is \$17,666 or 1.76% of the total accounts receivable in the Health Department Fund at December 31, 2006.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 231,810	\$ -	\$ -	\$ 231,810
<i>Capital assets being depreciated:</i>				
Land improvements	209,400	-	-	209,400
Buildings & improvements	15,545,216	8,400	-	15,553,616
Furniture & equipment	1,363,139	651,952	64,132	1,950,959
Vehicles	<u>611,354</u>	<u>62,055</u>	<u>105,008</u>	<u>568,401</u>
Subtotal	<u>17,729,109</u>	<u>722,407</u>	<u>169,140</u>	<u>18,282,376</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Less accumulated depreciation on:</i>				
Land improvements	(91,890)	(4,260)	-	(96,150)
Buildings & improvements	(6,750,094)	(357,625)	-	(7,107,719)
Furniture & equipment	(770,964)	(232,341)	64,132	(939,173)
Vehicles	<u>(488,283)</u>	<u>(55,900)</u>	<u>101,006</u>	<u>(443,177)</u>
Subtotal	<u>(8,101,231)</u>	<u>(650,126)</u>	<u>165,138</u>	<u>(8,586,219)</u>
Net Capital Assets Being Depreciated	<u>9,627,878</u>	<u>72,281</u>	<u>(4,002)</u>	<u>9,696,157</u>
Governmental Activity Capital Assets, Net of Depreciation	<u>\$ 9,859,688</u>	<u>\$ 72,281</u>	<u>\$ (4,002)</u>	<u>\$ 9,927,967</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Health & Welfare	\$ 79,544
Unallocated	<u>570,582</u>
Total Governmental Activities	<u>\$ 650,126</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Chippewa reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM	DUE TO OTHER FUNDS		
	<u>General Fund</u>	<u>All Others</u>	<u>Totals</u>
Revenue Sharing Reserve	\$ 15,018	\$ -	\$ 15,018
Tax Collections	14,853	-	14,853
Component Units	38,293	-	38,293
All Others	<u>428,196</u>	<u>38,293</u>	<u>466,489</u>
Total	<u>\$ 496,360</u>	<u>\$ 38,293</u>	<u>\$ 534,653</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

	TRANSFERS TO				
	General Fund	Health Department	Nonmajor Governmental	Tax Collections	Total
General Fund	\$ -	\$ 50,000	\$ 1,198,735	\$ -	\$ 1,248,735
Revenue Sharing Reserve	632,054	-	-	-	632,054
Jail Expansion					
Bond Retirement	-	-	108,873	-	108,873
Ambulance	79,551	-	-	-	79,551
Non-Major Governmental	44,422	-	135,201	-	179,623
Tax Collections	-	-	-	3,000,000	3,000,000
Sheriff Commisary	45,000	-	-	-	45,000
Total	\$ 801,027	\$ 50,000	\$ 1,442,809	\$ 3,000,000	\$ 5,293,836

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LEASES

Capital Leases – The Health Department and EDC has entered into lease agreements as lessee for financing the purchase of computers and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended June 30</u>	<u>Health Department</u>	<u>EDC</u>
2007	\$ 68,621	\$ 5,223
2008	63,579	-
2009	56,520	-
2010	41,670	-
2011	10,440	-
Total Minimum Lease Payments	240,830	5,223
Less: Amount Representing Interest	(28,585)	-
Present Value	\$ 212,245	\$ 5,223

Additionally, the County has executed several cancelable operating leases on a month-to-month basis.

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amount levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
1977 Superior Twp. Water & Sewer Bonds	5.00%	2016	\$ 60,000	\$ -	\$ 5,000	\$ 55,000	\$ 5,000
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2040	566,000	-	7,000	559,000	7,000
2000 Chippewa Co. Water Supply System Bonds (Series B)	4.50%	2040	25,500	-	500	25,000	500
1995 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	5.04%	2015	2,190,000	-	160,000	2,030,000	180,000
1995 Building Authority Bonds	5.47%	2015	1,260,000	-	95,000	1,165,000	100,000
1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	4.29%	2018	2,350,000	-	90,000	2,260,000	105,000
1999 Building Authority Bonds	4.30%	2018	3,645,000	-	165,000	3,480,000	180,000
2000 Building Authority Bonds	4.83%	2009	710,000	-	165,000	545,000	175,000
2001 Chippewa County Water Supply and Sewage Disposal System Bonds	3.50%	2022	<u>2,410,000</u>	<u>-</u>	<u>65,000</u>	<u>2,345,000</u>	<u>65,000</u>
Total Governmental Activities			<u>\$ 13,216,500</u>	<u>\$ -</u>	<u>\$ 752,500</u>	<u>\$ 12,464,000</u>	<u>\$ 817,500</u>

NOTE 8 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 817,500	\$ 574,875
2008	862,500	536,480
2009	918,500	495,884
2010	763,500	452,631
2011	814,500	416,853
2012-2016	4,541,500	1,464,341
2017-2021	3,058,500	469,371
2022-2026	339,500	100,561
2027-2031	101,000	67,299
2032-2036	125,000	41,966
2037-2040	<u>122,000</u>	<u>11,318</u>
Total	<u>\$ 12,464,000</u>	<u>\$ 4,631,579</u>

Interest expense was charged to programs of the primary government as follows:

Governmental Activities:	
Health & Welfare	\$ 13,066
Unallocated	<u>594,392</u>
Total	<u>\$ 607,458</u>

Compensated Absences – County General Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. The accumulated sick leave earned by each employee during the current year is credited to each employee at year end that has three or more years of service. Non union employees do not receive compensation for sick leave upon retirement or leaving employment.

A summary of accrued compensated absences at December 31, 2006 is as follows:

Vacation	\$ 229,546
Sick Leave	318,640
Compensation Time	<u>4,133</u>
TOTALS	<u>\$ 552,319</u>

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

The County established the Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Health insurance is reinsured for claims exceeding \$50,000 in aggregate. All funds of the County participate in the program and make payments to the Fund based on estimates of the amounts needed to pay prior-and current-year claims and to establish a reserve for catastrophe losses. That reserve was \$64,959 and is reported as an unrestricted net asset. The claims liability of \$111,359 reported in the Fund for 2006 is based on the requirements of Governmental Accounting Standards Board statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2006 and 2005 were:

	Beginning Balance	Current-Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2005	Unavailable			
2006	\$ 140,888	\$ 97,728	\$ (127,257)	\$ 111,359

NOTE 10 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2006.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The County provides post retirement hospitalization to employees of the government pursuant to the terms of union contracts. Additionally, some elected County officials who served more than 20 years and are retired receive post retirement hospitalization, pursuant to Board of Commissioner's resolution.

The County funds between 0% and 100% of the premiums of the policies on a pay-as-you-go basis depending on the contract. During 2006, the County paid hospitalization premiums for 52 qualified individuals. At December 31, 2006, the County contributed \$278,985 towards hospitalization insurance.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employee to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2005 is as follows:

General – Other	12.29%
Sheriff	13.62%
Health Department	4.91%
Employment, Training	3.45%
General – Economic	5.63%
Economic Officials	4.97%
Non-Union	6.81%

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the fiscal year ended December 31, 2006, the County's contributions totaling \$532,155 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31st follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 18,576,288	\$ 19,907,076	\$ 21,105,600
Actuarial Accrued Liability	21,329,406	22,727,407	24,098,670
Unfunded AAL	2,753,118	2,820,331	2,993,070
Funded Ratio	87%	88%	88%
Covered Payroll	6,071,353	6,090,611	6,359,260
UAAL as a Percentage of Covered Payroll	45%	46%	47%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 471,809	100%	\$ 0
2004	502,622	100%	0
2005	502,447	100%	0

ROAD COMMISSION

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute 0% to 10% to the plan. The Road Commission is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2004 is as follows:

General	16.07%
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Annual Pension Cost (Road Commission)

During the fiscal year ended December 31, 2006, the Commission's contributions totaling \$331,306 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31st follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 9,626,892	\$ 9,958,825	\$ 10,111,961
Actuarial Accrued Liability	12,002,874	12,719,846	13,232,285
Unfunded AAL	2,375,982	2,761,021	3,120,324
Funded Ratio	80%	78%	76%
Covered Payroll	2,487,392	2,336,689	2,192,621
UAAL as a Percentage of Covered Payroll	96%	118%	142%

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 209,343	100%	\$ 0
2004	309,188	100%	0
2005	290,269	100%	0

NOTE 13 - DEFERRED COMPENSATION PLAN

Chippewa County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Chippewa County's financial Statements.

NOTE 14 - RESIDUAL EQUITY TRANSFERS

Chippewa County established the Self Insurance fund, an Internal Service fund. The insurance activity was included in the Payroll Revolving Fund (an agency fund) in prior years. This caused an increase in net assets of the internal service funds of \$64,959.

The County established a Sheriff Commisary fund, an enterprise fund of the County. The activity was included in the County Inmate Trust Fund in prior years. This increased net assets in the enterprise funds \$30,150.

NOTE 15 - FUND EQUITY DESIGNATIONS/RESERVATIONS

Fund equity designations can be described as follows:

Debt Service	\$ 1,163,869	Designated for Debt Service
Special Revenue	2,983,633	Designated for Fund Purpose
Capital Projects	957	Designated for Capital Projects

Fund equity reservations are described as follows:

Revenue Sharing Reserve	\$ 3,628,588	Reserved for Revenue Sharing
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Required Supplementary Information

County of Chippewa, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2006

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			
REVENUES:					
Taxes	\$ 5,176,531	\$ 5,176,531	\$ 5,267,575	\$ 91,044	
License & Permits	29,000	29,000	42,129	13,129	
Federal Sources	524,297	524,297	506,158	(18,139)	
State Sources	1,666,793	1,103,174	1,250,157	146,983	
Local Sources	190,000	190,000	286,417	96,417	
Charges for Services	1,580,600	1,580,600	1,893,604	313,004	
Interest & Rentals	300,000	570,000	605,774	35,774	
Fines & Forfeitures	73,000	73,000	81,275	8,275	
Other Revenue	177,550	258,543	357,109	98,566	
TOTAL REVENUES	9,717,771	9,505,145	10,290,198	785,053	
EXPENDITURES:					
Legislative:					
Board of Commissioners	142,798	142,798	140,452	2,346	
Judicial:					
Juvenile Court	266,957	266,957	259,765	7,192	
Circuit Court	305,998	347,573	331,373	16,200	
District Court	479,332	479,332	455,222	24,110	
Friend of the Court	325,851	325,851	304,220	21,631	
Jury Board	3,810	3,810	3,500	310	
Probate Court	497,124	497,124	458,228	38,896	
Public Defender	253,050	253,050	230,613	22,437	
Bailiff	34,599	37,797	36,657	1,140	
Total Judicial	2,166,721	2,211,494	2,079,578	131,916	
General Government:					
County Controller	215,514	230,514	191,566	38,948	
Information Systems	200,952	200,952	192,045	8,907	
Elections	40,950	40,950	38,584	2,366	
County Clerk	230,675	235,335	207,598	27,737	
Equalization	176,817	185,368	177,095	8,273	
Prosecuting Attorney	401,497	405,997	387,053	18,944	
Support Coordinator	99,292	99,292	94,142	5,150	
Crime Victim Advocate	56,742	57,644	53,713	3,931	
Remonumentation	138,000	164,324	164,324	-	
Register of Deeds	234,082	234,082	212,056	22,026	
Treasurer	249,858	249,858	235,267	14,591	
Cooperative Extension	83,083	83,718	79,892	3,826	
Buildings & Grounds	291,043	351,043	337,685	13,358	
Drain Commission	1,558	1,558	946	612	
Soil Conservation District	22,000	22,000	22,000	-	
Surveyor	28,567	28,567	26,534	2,033	
Total General Government	2,470,630	2,591,202	2,420,500	170,702	

County of Chippewa, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	924,573	934,474	837,303	97,171
Concealed Weapons Board	11,301	11,301	8,902	2,399
S.A.N.E	84,417	84,417	74,246	10,171
Marine	23,626	38,126	37,676	450
Jail	1,537,472	1,568,603	1,564,493	4,110
Regional Planning Commission	16,000	16,000	16,000	-
Snowmobile Patrol Grant	48,559	69,261	41,019	28,242
O.R.V. Grant	13,892	13,892	12,816	1,076
Animal Control	106,943	106,943	95,801	11,142
Total Public Safety	2,766,783	2,843,017	2,688,256	154,761
Health & Welfare:				
Contagious Diseases	1,000	1,000	-	1,000
Health Board	7,000	9,000	7,249	1,751
Substance Abuse	85,009	89,019	89,019	-
Medical Examiner	15,500	35,000	24,795	10,205
Health Department Building & Tax	21,000	21,000	16,068	4,932
Veterans Affairs	73,933	73,933	67,526	6,407
Senior Citizen Nutrition Program	42,000	72,000	72,000	-
Total Health & Welfare	245,442	300,952	276,657	24,295
Other Expenditures:				
Retirees Hospitalization	302,000	302,000	278,985	23,015
Insurance	135,000	213,000	211,601	1,399
Rural Bus Program	20,000	20,000	20,000	-
Legal Services	15,000	15,000	6,028	8,972
Audit	29,900	38,756	38,756	-
Telephone	5,000	5,000	4,121	879
Postage Meter	5,000	5,000	3,251	1,749
Other Miscellaneous	56,650	16,650	9,725	6,925
Cost Allocation Plan	5,000	5,000	5,000	-
PILT - Townships	30,000	30,000	30,000	-
Appropriations	171,334	171,334	171,334	-
Total Other Expenditures	774,884	821,740	778,801	42,939

County of Chippewa, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay:				
Computer	51,500	51,500	23,562	27,938
Vehicle	38,400	63,200	63,305	(105)
Total Capital Outlay	89,900	114,700	86,867	27,833
TOTAL EXPENDITURES	8,657,158	9,025,903	8,471,111	554,792
EXCESS OF REVENUES OVER EXPENDITURES	1,060,613	479,242	1,819,087	1,339,845
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	15,640	771,178	801,027	29,849
Operating Transfers Out	(1,032,258)	(1,482,732)	(1,248,735)	233,997
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 43,995	\$ (232,312)	1,371,379	\$ 1,603,691
FUND BALANCE, JANUARY 1			891,820	
FUND BALANCE, DECEMBER 31			\$ 2,263,199	

Required Supplemental Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,590,615	\$ 1,590,615	\$ 1,590,615	\$ -
Interest & Rentals	-	-	71,611	71,611
Total Revenues	1,590,615	1,590,615	1,662,226	71,611
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(632,054)	(632,054)	(632,054)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 958,561	\$ 958,561	1,030,172	\$ 71,611
FUND BALANCE, JANUARY 1			2,598,417	
FUND BALANCE, DECEMBER 31			\$ 3,628,589	

**Required Supplemental Information
Budgetary Comparison Schedule
Health Department
For the Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 1,059,964	\$ 910,055	1,244,455	\$ 334,400
Local Sources	138,182	85,404	225,856	140,452
Charges for Services	3,990,300	4,452,495	4,405,828	(46,667)
Interest & Rentals	820	820	865	45
Other Revenue	235,675	455,774	257,374	(198,400)
TOTAL REVENUES	5,424,941	5,904,548	6,134,378	229,830
EXPENDITURES:				
Health and Welfare	5,474,119	5,917,690	6,101,053	(183,363)
TOTAL EXPENDITURES	5,474,119	5,917,690	6,101,053	(183,363)
EXCESS OF REVENUES OVER EXPENDITURES	(49,178)	(13,142)	33,325	46,467
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	90,306	90,306
Operating Transfers In	50,000	50,000	50,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 822	\$ 36,858	173,631	\$ 136,773
FUND BALANCE, OCTOBER 1			1,767,248	
FUND BALANCE, SEPTEMBER 30			\$ 1,940,879	

County of Chippewa, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 349,551	\$ 349,551	\$ 351,732	\$ 2,181
Interest & Rentals	-	-	300	300
TOTAL REVENUES	349,551	349,551	352,032	2,481
EXPENDITURES:				
Health and Welfare	270,000	270,000	260,956	9,044
TOTAL EXPENDITURES	270,000	270,000	260,956	9,044
EXCESS OF REVENUES OVER EXPENDITURES	79,551	79,551	91,076	11,525
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(79,551)	(79,551)	(79,551)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	11,525	\$ 11,525
FUND BALANCE, JANUARY 1			225,038	
FUND BALANCE, DECEMBER 31			\$ 236,563	

County of Chippewa, Michigan

Required Supplemental Information Budgetary Comparison Schedule Chippewa County Recycling For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 387,562	\$ 410,000	\$ 409,860	\$ (140)
TOTAL REVENUES	387,562	410,000	409,860	(140)
EXPENDITURES:				
Public Works	387,562	415,000	415,000	-
TOTAL EXPENDITURES	387,562	415,000	415,000	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ (5,000)	(5,140)	\$ (140)
FUND BALANCE, OCTOBER 1			296,866	
FUND BALANCE, SEPTEMBER 30			\$ 291,726	

Other Supplementary Information

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Office of Emergency Services	Emergency Telephone System
ASSETS:								
Cash & Investments - Unrestricted	\$ 8,646	\$ 2,084	\$ 10,207	\$ 1,964	\$ 25	\$ 540	\$ 50	\$ -
Accounts Receivable	-	-	-	-	-	-	-	62,475
Interest Receivable								
Due from Other Funds	-	-	-	-	-	-	-	38,293
Due from Governmental Units	-	-	50,988	-	-	-	604,040	-
Prepaid Expenditures	-	130	-	-	-	-	-	436
TOTAL ASSETS	<u>\$ 8,646</u>	<u>\$ 2,214</u>	<u>\$ 61,195</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 540</u>	<u>\$ 604,090</u>	<u>\$ 101,204</u>
LIABILITIES:								
Accounts Payable	\$ 527	\$ 82	\$ 50,988	\$ -	\$ -	\$ -	\$ 270	\$ 3,653
Due to Other Funds	-	-	-	-	-	-	345,960	72,907
Accrued Liabilities	-	2,056	-	-	-	-	3,563	18,255
Other Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>527</u>	<u>2,138</u>	<u>50,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,793</u>	<u>94,815</u>
FUND BALANCES:								
Unreserved:								
Designated	<u>8,119</u>	<u>76</u>	<u>10,207</u>	<u>1,964</u>	<u>25</u>	<u>540</u>	<u>254,297</u>	<u>6,389</u>
TOTAL FUND BALANCES	<u>8,119</u>	<u>76</u>	<u>10,207</u>	<u>1,964</u>	<u>25</u>	<u>540</u>	<u>254,297</u>	<u>6,389</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,646</u>	<u>\$ 2,214</u>	<u>\$ 61,195</u>	<u>\$ 1,964</u>	<u>\$ 25</u>	<u>\$ 540</u>	<u>\$ 604,090</u>	<u>\$ 101,204</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds							
	Bench Warrant	FDC Child Support	Community Service	Correctional Facility Maintenance	Superior Twp 2000 Improvements Maint	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation
ASSETS:								
Cash & Investments - Unrestricted	\$ -	\$ 26,763	\$ 5,250	\$ 395,211	\$ 377	\$ 37,943	\$ 42	\$ 45,899
Accounts Receivable	-	-	-	1,590	-	-	-	-
Interest Receivable								
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	2,730	-	-	-	-	4,170	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 2,730</u>	<u>\$ 26,763</u>	<u>\$ 5,250</u>	<u>\$ 396,801</u>	<u>\$ 377</u>	<u>\$ 42,113</u>	<u>\$ 42</u>	<u>\$ 45,899</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ 635	\$ -	\$ 4,055	\$ -	\$ 1,120
Due to Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	863	-	2,331	-	-
Other Liabilities	-	-	-	-	-	-	-	524
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,498</u>	<u>-</u>	<u>6,386</u>	<u>-</u>	<u>1,644</u>
FUND BALANCES:								
Unreserved:								
Designated	2,730	26,763	5,250	395,303	377	35,727	42	44,255
TOTAL FUND BALANCES	<u>2,730</u>	<u>26,763</u>	<u>5,250</u>	<u>395,303</u>	<u>377</u>	<u>35,727</u>	<u>42</u>	<u>44,255</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,730</u>	<u>\$ 26,763</u>	<u>\$ 5,250</u>	<u>\$ 396,801</u>	<u>\$ 377</u>	<u>\$ 42,113</u>	<u>\$ 42</u>	<u>\$ 45,899</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds							
	Secondary Road Patrol	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Snowmobile Trail Marker
ASSETS:								
Cash & Investments - Unrestricted	\$ 4,401	\$ 3,244	\$ 8,490	\$ 14,576	\$ 626	\$ 15,193	\$ 4,837	\$ 1,253
Accounts Receivable	-	-	-	-	-	-	-	-
Interest Receivable								
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	24,357	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 28,758	\$ 3,244	\$ 8,490	\$ 14,576	\$ 626	\$ 15,193	\$ 4,837	\$ 1,253
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ 65	\$ -	\$ -	\$ -	\$ 265	\$ -
Due to Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	4,055	-	-	-	626	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	4,055	-	65	-	626	-	265	-
FUND BALANCES:								
Unreserved:								
Designated	24,703	3,244	8,425	14,576	-	15,193	4,572	1,253
TOTAL FUND BALANCES	24,703	3,244	8,425	14,576	-	15,193	4,572	1,253
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,758	\$ 3,244	\$ 8,490	\$ 14,576	\$ 626	\$ 15,193	\$ 4,837	\$ 1,253

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds							
	Animal Shelter Donations	Highway Safety	Youth Substance Abuse Assistance	Chippewa County DHS Appropriation	DHS Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse
ASSETS:								
Cash & Investments - Unrestricted	\$ 12,124	\$ -	\$ 1,456	\$ 1,158	\$ 29,161	\$ 42,898	\$ 129	\$ 1,779
Accounts Receivable	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	15,035	780	-	-	-	911	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 12,124	\$ 15,035	\$ 2,236	\$ 1,158	\$ 29,161	\$ 42,898	\$ 1,040	\$ 1,779
LIABILITIES:								
Accounts Payable	\$ -	\$ 6,498	\$ 47	\$ -	\$ -	\$ 42,898	\$ -	\$ -
Due to Other Funds	-	8,537	-	-	-	-	-	-
Accrued Liabilities	-	-	237	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	4,936	-	-	-	-	-	-	-
TOTAL LIABILITIES	4,936	15,035	284	-	-	42,898	-	-
FUND BALANCES:								
Unreserved:								
Designated	7,188	-	1,952	1,158	29,161	-	1,040	1,779
TOTAL FUND BALANCES	7,188	-	1,952	1,158	29,161	-	1,040	1,779
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,124	\$ 15,035	\$ 2,236	\$ 1,158	\$ 29,161	\$ 42,898	\$ 1,040	\$ 1,779

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds			Debt Service Funds				
	Hakola-Ross Drainage	2005 Access Visitation Grant	CCSD Salvage Vehicle	2001 City of SSM Debt Retirement	Superior Township 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	1995 City of SSM Debt Retirement
ASSETS:								
Cash & Investments - Unrestricted	\$ 7,503	\$ -	\$ 8,815	\$ -	\$ 21,264	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-	-	-	-	-
Interest Receivable								
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 7,503</u>	<u>\$ -</u>	<u>\$ 8,815</u>	<u>\$ -</u>	<u>\$ 21,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Unreserved:								
Designated	7,503	-	8,815	-	21,264	-	-	-
TOTAL FUND BALANCES	<u>7,503</u>	<u>-</u>	<u>8,815</u>	<u>-</u>	<u>21,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,503</u>	<u>\$ -</u>	<u>\$ 8,815</u>	<u>\$ -</u>	<u>\$ 21,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of Chippewa, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Debt Service Funds				Capital Project Fund	
	Avery Square	1988 Bldg.	Courthouse	1977 Superior	Courthouse	
	Bond	Authority	Annex	Twp. Debt	Annex	
	Retirement	Bond Retirement	Renovation	Retirement	Renovation	Totals
ASSETS:						
Cash & Investments - Unrestricted	\$ 242,098	\$ 122	\$ -	\$ -	\$ 957	\$ 957,085
Accounts Receivable	-	-	-	-	-	64,065
Interest Receivable	3,581	-	-	-	-	3,581
Due from Other Funds	-	-	-	-	-	38,293
Due from Governmental Units	-	-	-	-	-	703,011
Prepaid Expenditures	-	-	-	-	-	566
TOTAL ASSETS	\$ 245,679	\$ 122	\$ -	\$ -	\$ 957	\$ 1,766,601
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,103
Due to Other Funds	-	-	-	-	-	427,404
Accrued Liabilities	-	-	-	-	-	31,986
Other Liabilities	-	-	-	-	-	524
Deferred Revenue	-	-	-	-	-	4,936
TOTAL LIABILITIES	-	-	-	-	-	575,953
FUND BALANCES:						
Unreserved:						
Designated	245,679	122	-	-	957	1,190,648
TOTAL FUND BALANCES	245,679	122	-	-	957	1,190,648
TOTAL LIABILITIES AND FUND BALANCES	\$ 245,679	\$ 122	\$ -	\$ -	\$ 957	\$ 1,766,601

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds							
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Office of Emergency Services	Emergency Telephone System
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,915	\$ -	\$ -
Federal Sources	-	-	240,885	-	-	-	775,300	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	14,712	106,193	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	584,790
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	5,419	8,665
TOTAL REVENUES	14,712	106,193	240,885	-	-	3,915	780,719	593,455
EXPENDITURES:								
Judicial	8,793	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	803,550	654,935
Public Works	-	129,064	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	4,590	-	-
Community/Economic Development	-	-	240,885	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	8,793	129,064	240,885	-	-	4,590	803,550	654,935
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,919	(22,871)	-	-	-	(675)	(22,831)	(61,480)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	22,900	-	-	-	-	79,551	27,304
Operating Transfers Out	(20,000)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(14,081)	29	-	-	-	(675)	56,720	(34,176)
FUND BALANCES, JANUARY 1	22,200	47	10,207	1,964	25	1,215	197,577	40,565
FUND BALANCES, DECEMBER 31	\$ 8,119	\$ 76	\$ 10,207	\$ 1,964	\$ 25	\$ 540	\$ 254,297	\$ 6,389

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds							
	Bench Warrant	FDC Child Support	Community Service	Correctional Facility Maintenance	Superior Twp 2000 Improvements Maintenance	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	2,730	-	-	-	-	-	-	-
Local Sources	-	-	-	-	9,195	-	-	-
Charges for Services	-	-	-	-	-	-	-	42,357
Interest & Rentals	-	-	-	4,871	328	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	10,540	565	-	-	128,786	-	-
TOTAL REVENUES	2,730	10,540	565	4,871	9,523	128,786	-	42,357
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	43,732
Public Safety	-	-	-	-	-	119,179	-	-
Public Works	-	-	-	122,161	-	-	-	-
Health & Welfare	-	-	-	-	37,670	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	122,161	37,670	119,179	-	43,732
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,730	10,540	565	(117,290)	(28,147)	9,607	-	(1,375)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	512,503	-	3,500	-	-
Operating Transfers Out	-	-	-	-	(14,032)	(27,669)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,730	10,540	565	395,213	(42,179)	(14,562)	-	(1,375)
FUND BALANCES, JANUARY 1	-	16,223	4,685	90	42,556	50,289	42	45,630
FUND BALANCES, DECEMBER 31	\$ 2,730	\$ 26,763	\$ 5,250	\$ 395,303	\$ 377	\$ 35,727	\$ 42	\$ 44,255

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds							
	Secondary Road Patrol	Sheriff Law Enforcement Training	Local Corrections Officer's Training	Sheriff Park Patrol	Road Patrol Overtime	Sheriff Special Projects	Law Library	Snowmobile Trail Marker
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	3,957	28,306	-	-	-
State Sources	95,663	4,516	-	-	8,260	-	-	-
Local Sources	-	-	-	-	-	5,000	-	2,690
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	16,996	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	3,500	-
Other Revenue	-	-	-	-	2,246	550	-	-
TOTAL REVENUES	95,663	4,516	16,996	3,957	38,812	5,550	3,500	2,690
EXPENDITURES:								
Judicial	-	-	-	-	-	-	2,986	-
General Government	-	-	-	-	-	-	-	-
Public Safety	155,404	5,951	8,571	4,163	31,810	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	1,437
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	155,404	5,951	8,571	4,163	31,810	-	2,986	1,437
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(59,741)	(1,435)	8,425	(206)	7,002	5,550	514	1,253
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	58,995	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	(7,002)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(746)	(1,435)	8,425	(206)	-	5,550	514	1,253
FUND BALANCES, JANUARY 1	25,449	4,679	-	14,782	-	9,643	4,058	-
FUND BALANCES, DECEMBER 31	\$ 24,703	\$ 3,244	\$ 8,425	\$ 14,576	\$ -	\$ 15,193	\$ 4,572	\$ 1,253

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds							
	Animal Shelter Donations	Highway Safety	Youth Substance Abuse Assistance	Chippewa County DHS Appropriations	DHS Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	5,599	-	-	-	-	-
State Sources	-	23,243	4,209	-	-	-	4,511	-
Local Sources	-	-	-	-	-	7,500	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	6,993	-	-	-	-	422	-	-
TOTAL REVENUES	6,993	23,243	9,808	-	-	7,922	4,511	-
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	23,243	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	4,835	-	7,979	20,110	61,981	348,222	4,615	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,835	23,243	7,979	20,110	61,981	348,222	4,615	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,158	-	1,829	(20,110)	(61,981)	(340,300)	(104)	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	20,110	53,599	449,795	-	-
Operating Transfers Out	-	-	-	-	-	(109,495)	(1,425)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,158	-	1,829	-	(8,382)	-	(1,529)	-
FUND BALANCES, JANUARY 1	5,030	-	123	1,158	37,543	-	2,569	1,779
FUND BALANCES, DECEMBER 31	\$ 7,188	\$ -	\$ 1,952	\$ 1,158	\$ 29,161	\$ -	\$ 1,040	\$ 1,779

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds			Debt Service Funds				
	Hakola-Ross Drainage	2005 Access Visitation Grant	CCSD Salvage Vehicle	2001 City of SSM Debt Retirement	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	1995 City of SSM Debt Retirement
REVENUES:								
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	176,648	3,460	33,949	187,478	270,305
Charges for Services	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	312	-	-	-
Fees & Collections	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	176,648	3,772	33,949	187,478	270,305
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	284	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	176,648	-	33,949	187,478	270,305
TOTAL EXPENDITURES	-	-	284	176,648	-	33,949	187,478	270,305
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(284)	-	3,772	-	-	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	14,032	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	(284)	-	17,804	-	-	-
FUND BALANCES, JANUARY 1	7,503	-	9,099	-	3,460	-	-	-
FUND BALANCES, DECEMBER 31	<u>\$ 7,503</u>	<u>\$ -</u>	<u>\$ 8,815</u>	<u>\$ -</u>	<u>\$ 21,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of Chippewa, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Debt Service Funds				Capital Project Fund	
	Avery Square	1988 Bldg	Courthouse	1977 Superior	Courthouse	
	Bond	Authority	Annex	Twp Debt	Annex	
	Retirement	Bond	Renovation	Retirement	Renovation	Totals
	Retirement	Retirement	Renovation	Retirement	Renovation	Totals
REVENUES:						
License & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,915
Federal Sources	-	-	-	-	-	1,054,047
State Sources	-	-	-	-	-	143,132
Local Sources	176,800	-	-	8,000	-	881,025
Charges for Services	-	-	-	-	-	163,262
Interest & Rentals	6,933	-	-	-	-	29,440
Fees & Collections	-	-	-	-	-	584,790
Fines & Forfeitures	-	-	-	-	-	3,500
Other Revenue	-	-	-	-	-	164,186
TOTAL REVENUES	183,733	-	-	8,000	-	3,027,297
EXPENDITURES:						
Judicial	-	-	-	-	-	11,779
General Government	-	-	-	-	-	43,732
Public Safety	-	-	-	-	-	1,807,090
Public Works	-	-	-	-	-	251,225
Health & Welfare	-	-	-	-	-	490,002
Community/Economic Development	-	-	-	-	-	240,885
Recreation & Culture	-	-	-	-	-	1,437
Debt Service	163,358	-	200,520	8,000	-	1,040,258
TOTAL EXPENDITURES	163,358	-	200,520	8,000	-	3,886,408
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,375	-	(200,520)	-	-	(859,111)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	-	200,520	-	-	1,442,809
Operating Transfers Out	-	-	-	-	-	(179,623)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	20,375	-	-	-	-	404,075
FUND BALANCES, JANUARY 1	225,304	122	-	-	957	786,573
FUND BALANCES, DECEMBER 31	\$ 245,679	\$ 122	\$ -	\$ -	\$ 957	\$ 1,190,648

County of Chippewa, Michigan

Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2006

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Revolving	2005 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
ASSETS:								
Cash & Investments - Unrestricted	\$ 8,440	\$ 116,449	\$ 1,246,089	\$ 2,301,470	\$ 4,247,012	\$ 121,862	\$ -	\$ 8,041,322
Taxes Receivable	-	-	148,570	852,063	-	-	-	1,000,633
Accrued Interest on Deposits	-	-	41,642	-	14,054	-	-	55,696
Accrued Interest on Taxes Receivable	-	-	49,028	85,217	-	-	-	134,245
Due from Other Governmental Units	-	-	-	-	-	-	14,861	14,861
TOTAL ASSETS	<u>\$ 8,440</u>	<u>\$ 116,449</u>	<u>\$ 1,485,329</u>	<u>\$ 3,238,750</u>	<u>\$ 4,261,066</u>	<u>\$ 121,862</u>	<u>\$ 14,861</u>	<u>\$ 9,246,757</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,853	\$ 14,853
Due to Other Governmental Units	-	-	28,032	-	17,512	-	-	45,544
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>28,032</u>	<u>-</u>	<u>17,512</u>	<u>-</u>	<u>14,853</u>	<u>60,397</u>
NET ASSETS:								
Unrestricted	<u>8,440</u>	<u>116,449</u>	<u>1,457,297</u>	<u>3,238,750</u>	<u>4,243,554</u>	<u>121,862</u>	<u>8</u>	<u>9,186,360</u>
TOTAL NET ASSETS	<u>8,440</u>	<u>116,449</u>	<u>1,457,297</u>	<u>3,238,750</u>	<u>4,243,554</u>	<u>121,862</u>	<u>8</u>	<u>9,186,360</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,440</u>	<u>\$ 116,449</u>	<u>\$ 1,485,329</u>	<u>\$ 3,238,750</u>	<u>\$ 4,261,066</u>	<u>\$ 121,862</u>	<u>\$ 14,861</u>	<u>\$ 9,246,757</u>

County of Chippewa, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Year Ended December 31, 2006

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Revolving	2005 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
OPERATING REVENUES:								
Charges for Services	\$ 3,550	\$ 118,256	\$ 45,863	\$ 77,277	\$ 9,897	\$ 12,127	\$ -	\$ 266,970
Penalties and Interest Charges	-	-	165,371	165,223	62,362	-	-	392,956
TOTAL OPERATING REVENUES	3,550	118,256	211,234	242,500	72,259	12,127	-	659,926
OPERATING EXPENSES:								
Personal Services	-	-	-	-	2,945	10,765	-	13,710
Other Supplies and Expenses	518	1,807	6,981	3,750	10	10,315	-	23,381
Total Operating Expenses	518	1,807	6,981	3,750	2,955	21,080	-	37,091
OPERATING INCOME (LOSS)	3,032	116,449	204,253	238,750	69,304	(8,953)	-	622,835
NON-OPERATING REVENUES (EXPENSES):								
Interest on Deposits	-	-	70,934	-	27,719	-	-	98,653
Total Non-operating Revenues (Expenses)	-	-	70,934	-	27,719	-	-	98,653
INCOME (LOSS) BEFORE TRANSFERS	3,032	116,449	275,187	238,750	97,023	(8,953)	-	721,488
Operating Transfers In	-	-	-	3,000,000	-	-	-	3,000,000
Operating Transfers Out	-	-	(2,000,000)	-	(1,000,000)	-	-	(3,000,000)
CHANGES IN NET ASSETS	3,032	116,449	(1,724,813)	3,238,750	(902,977)	(8,953)	-	721,488
NET ASSETS, JANUARY 1	5,408	-	3,182,110	-	5,146,531	130,815	8	8,464,872
NET ASSETS, DECEMBER 31	\$ 8,440	\$ 116,449	\$ 1,457,297	\$ 3,238,750	\$ 4,243,554	\$ 121,862	\$ 8	\$ 9,186,360

County of Chippewa, Michigan

Combining Statement of Cash Flows Major Tax Collection Enterprise Fund For the Year Ended December 31, 2006

	State Education Tax Parcel Fee	2003 Tax Foreclosure	2004 Tax Revolving	2005 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from Customers	\$ 3,550	\$ 118,256	\$ 839,370	\$ 1,988,839	\$ 211,562	\$ 12,127	\$ -	\$ 3,173,704
Payments to Suppliers	(518)	(1,807)	(6,981)	(2,687,369)	(2,865)	(10,315)	(1,985)	(2,711,840)
Payments to Employees	-	-	-	-	(2,945)	(10,765)	-	(13,710)
Internal Activity - Receipts (Payments) to Other Funds	-	-	-	-	-	-	1,985	1,985
Net Cash Provided (Used) by Operating Activities	3,032	116,449	832,389	(698,530)	205,752	(8,953)	-	450,139
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Transfers In	-	-	-	3,000,000	-	-	-	3,000,000
Operating Transfers Out	-	-	(2,000,000)	-	(1,000,000)	-	-	(3,000,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	(2,000,000)	3,000,000	(1,000,000)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	-	-	70,934	-	27,719	-	-	98,653
Net Cash Provided (Used) by Investing Activities	-	-	70,934	-	27,719	-	-	98,653
Net Increase (Decrease) in Cash and Cash Equivalents	3,032	116,449	(1,096,677)	2,301,470	(766,529)	(8,953)	-	548,792
Balances - Beginning of the Year	5,408	-	2,342,766	-	5,013,541	130,815	-	7,492,530
Balances - End of the Year	\$ 8,440	\$ 116,449	\$ 1,246,089	\$ 2,301,470	\$ 4,247,012	\$ 121,862	\$ -	\$ 8,041,322
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	\$ 3,032	\$ 116,449	\$ 204,253	\$ 238,750	\$ 69,304	\$ (8,953)	\$ -	\$ 622,835
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
(Increase)Decrease in Assets:								
Taxes Receivable	-	-	682,923	(852,063)	139,303	-	-	(29,837)
Accrued Interest Receivable	-	-	(82,819)	(85,217)	4,184	-	-	(163,852)
Due from Other Governmental Units	-	-	-	-	-	-	(1,985)	(1,985)
Increase(Decrease) in Liabilities:								
Due to Other Governmental Units	-	-	28,032	-	-	-	-	28,032
Accounts Payable	-	-	-	-	(7,039)	-	-	(7,039)
Due to Other Funds	-	-	-	-	-	-	1,985	1,985
Net Cash Provided (Used) by Operating Activities	\$ 3,032	\$ 116,449	\$ 832,389	\$ (698,530)	\$ 205,752	\$ (8,953)	\$ -	\$ 450,139

Statement of Net Assets
Internal Service Funds
December 31, 2006

	Self Insurance	Central Stores	Total
ASSETS:			
Cash	\$ 101,115	\$ -	\$ 101,115
Due from Other Units	66,358	-	66,358
Inventories	-	49,700	49,700
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 167,473</u>	<u>\$ 49,700</u>	<u>\$ 217,173</u>
LIABILITIES:			
Due to Other Funds	\$ -	\$ 39,085	\$ 39,085
INBR Payable	111,359	-	111,359
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>111,359</u>	<u>39,085</u>	<u>150,444</u>
NET ASSETS:			
Unrestricted	<u>56,114</u>	<u>10,615</u>	<u>66,729</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>56,114</u>	<u>10,615</u>	<u>66,729</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 167,473</u>	<u>\$ 49,700</u>	<u>\$ 217,173</u>

County of Chippewa, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds For the Year Ended December 31, 2006

	Self Insurance	Central Stores	Total
OPERATING REVENUES:			
Charges for Services	\$ 2,293,360	\$ 16,821	\$ 2,310,181
Total Operating Revenues	<u>2,293,360</u>	<u>16,821</u>	<u>2,310,181</u>
OPERATING EXPENSES:			
Premium Reimbursements	2,174,948	-	2,174,948
Fees & Claims	127,257	-	127,257
Supplies	<u>-</u>	<u>19,553</u>	<u>19,553</u>
Total Operating Expenses	<u>2,302,205</u>	<u>19,553</u>	<u>2,321,758</u>
OPERATING INCOME (LOSS)	<u>(8,845)</u>	<u>(2,732)</u>	<u>(11,577)</u>
NET ASSETS, JANUARY 1	-	13,347	13,347
Residual Equity Transfers	<u>64,959</u>	<u>-</u>	<u>64,959</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 56,114</u></u>	<u><u>\$ 10,615</u></u>	<u><u>\$ 66,729</u></u>

County of Chippewa, Michigan

Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2006

	Self Insurance	Central Stores	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 2,227,002	\$ 16,821	\$ 2,243,823
Payments to Suppliers	(2,190,846)	(24,341)	(2,215,187)
Internal Activity - Receipts (Payments) to Other Funds	-	7,520	7,520
Net Cash Provided (Used) by Operating Activities	36,156	-	36,156
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Residual Equity Transfer	(64,959)	-	(64,959)
Net Cash Provided (Used) by Noncapital Financing Activities	(64,959)	-	(64,959)
Net Increase (Decrease) in Cash and Cash Equivalents	(28,803)	-	(28,803)
Balances - Beginning of the Year	129,918	-	129,918
Balances - End of the Year	\$ 101,115	\$ -	\$ 101,115
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (8,845)	\$ (2,732)	\$ (11,577)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Change in Assets and Liabilities:			
(Increase)Decrease in Assets:			
Due from Other Units	(66,358)	-	(66,358)
Inventory	-	(4,788)	(4,788)
Increase(Decrease) in Liabilities:			
INBR Payable	111,359	-	111,359
Due to Other Funds	-	7,520	7,520
Net Cash Provided (Used) by Operating Activities	\$ 36,156	\$ -	\$ 36,156

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
County of Chippewa, Michigan
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the County of Chippewa, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon, dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County Chippewa, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Chippewa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Chippewa, Michigan in a separate letter dated April 30, 2007.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007

Additional Information

CHIPPEWA COUNTY, MICHIGAN

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Honorable Chairman and
Members of the Board of Directors
Chippewa County
Sault Ste. Marie, Michigan

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2006, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007

**NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURES
REQUIREMENTS:**

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2006, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$3,040,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1995.
2. \$2,715,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1998.
3. \$4,500,000 County of Chippewa Building Authority Bonds, Series 2000.
4. \$1,575,000 Chippewa County Building Authority Bonds, Series 2001.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12.

A. Population:

1960 U.S. Census.....	32,655	1980 U.S. Census	29,029
1970 U.S. Census.....	32,412	1990 U.S. Census	34,604
		2000 U.S. Census	38,543
		2006 estimate	39,000

Source: U.S. Department of Commerce - Bureau of Census and County of Chippewa

B. Taxable Value (Ad Valorem) by Use and Class:

Use	2005		2006	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 31,706,529	3.73%	\$ 25,996,883	2.90%
Commercial	151,225,614	17.78%	160,227,074	17.86%
Industrial	22,234,689	2.61%	22,348,318	2.49%
Residential	622,357,575	73.15%	664,068,989	74.02%
Utility	23,227,200	2.73%	24,571,100	2.73%
Total	<u>\$ 850,751,607</u>	<u>100.00%</u>	<u>\$ 897,212,364</u>	<u>100.00%</u>

NOTE 2 – TABLES: (Continued)

B. Taxable Value (Ad Valorem) by Use and Class: (Continued)

Class	2005		2006	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 799,085,919	93%	\$ 842,174,730	94%
Personal Property	51,665,688	7%	55,037,634	6%
Total	\$ 850,751,607	100.00%	\$ 897,212,364	100.00%

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	653,632,320	1,470,025	655,102,345	4.48%
2000	2001	2002	690,011,404	3,646,925	693,658,329	5.89%
2001	2002	2003	723,710,277	7,101,150	730,811,427	4.33%
2002	2003	2004	759,489,117	6,721,750	766,210,867	4.84%
2003	2004	2005	802,649,760	6,328,550	808,978,310	5.58%
2004	2005	2006	850,751,607	6,328,550	857,080,157	5.95%
2005	2006	2007	897,212,364	- Unavailable -		-

Per Capita Total taxable value for the fiscal year ending December 31, 2006 \$21,976.

(1) Based on the County's 2006 population estimate of 39,000

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31				
	2002	2003	2004	2005	2006
Agriculture	\$ 39,375,800	\$ 59,296,445	\$ 90,255,236	\$ 103,601,050	\$ 48,141,800
Commercial	154,494,483	156,657,195	158,447,959	165,701,913	174,780,232
Industrial	22,121,370	23,362,470	22,950,600	23,390,300	23,459,550
Residential	708,746,894	792,633,254	858,373,843	917,115,556	977,061,879
Utility	<u>17,277,200</u>	<u>17,637,605</u>	<u>21,201,883</u>	<u>23,227,200</u>	<u>24,571,100</u>
Total	<u>\$ 942,015,747</u>	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>	<u>\$ 1,248,014,561</u>
Class					
Real Property	\$ 897,498,756	\$ 1,004,349,670	\$ 1,102,410,302	\$ 1,181,367,905	\$ 1,192,976,161
Personal Property	<u>44,516,991</u>	<u>45,237,299</u>	<u>48,819,219</u>	<u>51,668,114</u>	<u>55,038,400</u>
Total	<u>\$ 942,015,747</u>	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>	<u>\$ 1,233,036,019</u>	<u>\$ 1,248,014,561</u>

Source: County of Chippewa

E. Maximum Tax Rates:

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated	6.1500	1.0000	5.9314
Fire/Ambulance (2)	.4293	1.0000	.4293
Roads (2)	1.0000	1.0000	.9607
Recycling (2)	.5000	1.0000	.5000
Jail Renovation (3)	.7500	1.0000	.6000

(1) Cumulative.

(2) Voted.

(3) Voted. Final levy will be December 31, 2018.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Property Tax Rates:

Levy	Fiscal Years Ended or Ending		Fire/ Ambulance	Road Improvements	Recycling	Jail (1)	Total
December 1	December 31	Allocated	(1)	(1)	(1)		
2001	2002	6.0684	0.4236	0.9867	0.4933	0.6000	8.5720
2002	2003	6.0453	0.4293	0.9962	0.5000	0.6000	8.5708
2003	2004	6.0897	0.4250	0.9864	0.4951	0.6000	8.5962
2004	2005	6.0373	0.4213	0.9779	0.4908	0.6000	8.5273
2005	2006	5.9805	0.4173	0.9687	0.4861	0.7166	8.5692
2006	2007	5.9314	0.4293	0.9607	0.5000	0.7107	8.5321

(1) Voted.

Source: County of Chippewa

G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for homestead and non-homestead properties within the County for its fiscal year ending December 31, 2006:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Homestead*	Sault Ste. Marie	39.0735 mils	Whitefish Township	18.3838 mils
Non-Homestead	Sault Ste. Marie	57.0339 mils	Whitefish Township	36.3838 mils

(*) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 to the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-Homestead is property not included in the above definition.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

H. Property Tax Collections:

December 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
2001	2002	5,817,290	5,184,126	89.12%
2002	2003	5,827,115	5,137,251	88.16%
2003	2004	6,433,285	5,748,854	89.36%
2004	2005	6,515,275	5,896,835	90.50%
2005	2006	6,779,257	6,223,099	91.78%

(1) Reflects County levy only. All tax levies reflect adjustments for State Tax Tribunal consent judgments, Board of Review decisions, real estate taxes canceled through foreclosure sales and personal property taxes canceled by circuit court.

Source: County of Chippewa

I. Ten Largest Taxpayers:

Taxpayer	Principal Productor Service	December 31, 2006	
		Taxable Value (1)	Percent of of Total (2)
Edison Sault Electric Co.	Utility	\$ 18,377,570	2.14%
Sault Ste. Marie Tribe	Various	9,411,814	1.10%
Cloverland Electric Co.	Utility	9,337,367	1.09%
State of Michigan		9,091,709	1.06%
DDR Michigan II LLC	Shopping Mall	7,633,487	.89%
Pointe West I LP	Apartment Complex	6,622,956	.77%
American Transmission		4,095,565	.48%
Precision Edge/12 th Ave Rlty	Manufacturing	4,052,700	.47%
Continental Teves, Inc.	Auto Testing Service	4,051,600	.47%
Michigan Consolidated		3,469,444	.40%
Key Plastics LLC	Manufacturer	2,831,100	.33%
		<u>\$ 78,975,312</u>	<u>\$ 9.20%</u>

(1) Includes Equivalent Taxable Value of properties granted tax abatement under Act 198.

(2) Based on \$857,080,187 which is the County's Total Taxable Value for the fiscal year ending December 31, 2006. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

J. Legal Debt Margin:

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2006.

Debt Limit (1)	\$ 124,801,456
Debt Outstanding (2)	<u>(12,464,000)</u>
Legal Debt Margin	<u>\$ 112,337,456</u>

- (1) 10% of \$1,248,014,561 which is the County's Total SEV for its fiscal year ending December 31, 2006. Includes the SEV of property granted tax abatement under Act 198.
(2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

K. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2006:

County Direct Debt	Gross	Self-Supporting	Net
Building Authority Bonds:			
Dated March 1, 2000 (LT)	\$ 545,000	\$ -	\$ 545,000
Dated February 1, 1999 (LT)	3,480,000	-	3,480,000
Dated June 1, 1995 (LT)	<u>1,165,000</u>	<u>-</u>	<u>1,165,000</u>
Subtotal	<u>5,190,000</u>	<u>-</u>	<u>5,190,000</u>
Water and Sewer Bonds:			
Dated December 11, 2001	2,345,000	2,345,000	-
Dated November 4, 1998	2,260,000	2,260,000	-
Dated November 30, 1995	2,030,000	2,030,000	-
Dated 1977	55,000	55,000	-
Dated June 1, 2000	559,000	559,000	-
Dated June 1, 2000	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Subtotal	<u>7,274,000</u>	<u>7,274,000</u>	<u>-</u>
Notes Payable:			
Dated April 20, 2000	<u>170,509</u>	<u>170,509</u>	<u>-</u>
Installment Obligations	<u>1,001,539</u>	<u>-</u>	<u>1,001,539</u>
Total	<u>\$ 13,636,048</u>	<u>\$ 7,444,509</u>	<u>\$ 6,191,539</u>

Per Capita Net County Direct Debt \$ 158.76
Percent of Net Direct Debt to Total SEV .50%

NOTE 2 - TABLES: (Continued)

K. Debt Schedule: (Continued)

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 8,640,000
Townships	1,116,150
Village	200,000
School Districts	<u>31,750,872</u>
Total Underlying Debt	<u>\$ 41,707,022</u>
Per Capita Underlying Debt (3)	\$ 1,069
Percent of Underlying Debt to Total SEV (4)	3.35%
Total Direct and Underlying Debt	<u>\$ 47,898,561</u>
Per Capita Net Direct and Underlying Debt (3)	\$ 1228.17
Percent of Net Direct and Underlying Debt to Total SEV (4)	3.84%

- (1) The Bonds described herein.
- (2) Secured by the City of Sault Ste. Marie's full faith and credit and limited taxing power.
- (3) Based on the County's 2006 population estimate of 39,000.
- (4) Based on \$1,248,014,561 which is the County's Total SEV for its fiscal year ending December 31, 2006. Includes the SEV of property granted tax abatement under Act 198.
- (5) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Chippewa and the Municipal Advisory Council of Michigan.

L. Debt History:

There is no record of default on obligations of the County.

M. Installment Purchase and Lease Obligations:

See Notes to Financial Statements.

NOTE 2 - TABLES: (Continued)

N. Short Term Borrowings:

The County in the years 1983 through 2000, inclusive, issued Delinquent Tax Notes to fund, in part, its Delinquent Tax Payment Fund. The primary security for the Delinquent Tax Notes was the payment of the Delinquent Real Property Taxes. In addition, the County pledged its full faith and credit and limited taxing power to the payment of principal of and interest on the Delinquent Tax Notes. The County may or may not issue notes to fund the Delinquent Tax Payment Fund in future years. The amounts issued in 1994 through 2000, inclusive, are as follows:

<u>Year Issued</u>	<u>Notes Issued</u>	<u>Amount Outstanding</u>
1995	\$ 500,000	\$ -
1996	500,000	-
1997	500,000	-
1998	700,000	-
1999	1,250,000	-
2000	800,000	-

The County does not issue short-term obligations for cash flow purposes.

Source: County of Chippewa

O. Future Financing:

Not Anticipated.

P. Vacation and Sick Leave:

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 168 hours. In addition, each year sheriff employees are given 96 days of sick time for jail employees and 64 days sick time for road patrol employees with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2006, the accumulated unpaid compensated absences amount to \$552,319.

NOTE 2 - TABLES: (Continued)

Q. Pension Plan:

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 30 year period. Employees of the County contribute 2% of their gross wages. Actuarial assumption are subject to periodic change.

December 31 Valuation Date	Net Assets Available for Benefits	Actuarial Accrued Liability	Assets as a Percent of Actuarial Accrued Liability
1995	\$ 8,070,864	\$ 9,985,628	81
1996	9,648,031	11,191,688	86
1997	10,177,361	12,187,923	84
1998	11,739,213	12,245,489	96
1999	13,685,739	13,633,684	100
2000	15,206,302	16,022,011	95
2001	16,467,208	18,117,222	91
2002	17,113,545	19,641,138	87
2003	18,576,288	21,329,406	87
2004	19,907,076	22,727,407	88
2005	21,105,600	24,098,670	88

Source: County of Chippewa

R. Labor Contracts:

The County courthouse has 142 full and part-time employees. Approximately 45% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

Employee Group	Membership	Current Expiration Date
American Federation of State, County and Municipal Employees	34	December 31, 2007
Police Officers Labor Council	30	December 31, 2009
Non-Union Employees	<u>78</u>	Not applicable
Total Permanent County Employees	<u>142</u>	

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

S. Profile of Major Employers:

The following table reflects the diversity of the major employers in the County by the products manufactured or services performed and the approximate number of employees.

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
SSM Tribe of Chippewa	Indians Various Tribal Enterprises/ Casino	1,460
Kinross Area Prisons	State Prisons	1,077
Bay Mills Indian Community	Indians Various Tribal Enterprises/ Casino	900
War Memorial Hospital	Hospital	675
Sault Area Public Schools	Education	365
State of Michigan	State Government	361
Lake Superior State University	Education	333
Wal-Mart	Department Store	250
Key Plastics	Rubber Products	222
Chippewa County (All Units)	Local Government	212

Source: County of Chippewa

T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 2001 through 2006:

<u>County of Chippewa</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Employed	16,675	16,175	16,175	16,425	16,500	16,395
Unemployed	<u>1,425</u>	<u>1,325</u>	<u>1,475</u>	<u>1,375</u>	<u>1,509</u>	<u>1,510</u>
Labor Force	<u>18,100</u>	<u>17,500</u>	<u>17,650</u>	<u>17,800</u>	<u>18,009</u>	<u>17,905</u>
Unemployed as % Of Labor Force (1)	7.9%	7.6%	8.4%	7.7%	8.4%	8.4%

(1) Totals and percentages may differ due to rounding by the Michigan Unemployment Agency.

Source: Michigan Unemployment Agency



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REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Chippewa
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the County of Chippewa, Michigan for the year ended December 31, 2006, and have issued our reports thereon dated April 30, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the County of Chippewa Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Chippewa Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Chippewa, Michigan are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County of Chippewa, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Asset lives and allowances for bad debt are examples of accounting estimates.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Chippewa, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated.) Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Chippewa, Michigan or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Chippewa, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

General Fixed Assets (Prior Comment)

Inventory

The County has not recently reconciled its general fixed asset listing to an overall physical inventory of fixed assets by department. The County should consider implementing a procedure whereby a physical count of general fixed assets is taken by department on a bi-annual basis. The physical inventory should be reconciled to the general fixed asset listing maintained by the Controller's office and adjusted accordingly. This procedure will help detect and deter any unauthorized use of County-owned assets.

Status: Corrected.

Bank Reconciliation – District Court (Prior Comment)

The District Court bank reconciliation contains outstanding items for prior periods up to 1992. Additionally, the account requires adjustment for interest earnings from prior periods. The account should be adjusted for these items and checks should be escheated to the State of Michigan.

Status: Uncorrected

County Inmate Trust (Prior Comment)

During testing of the inmate trust fund, it was discovered that the sheriff's department purchases and disburses items for the inmates through the inmate trust fund. This trust fund should only include receipts and disbursements made by the inmates housed in the facility. The balance in the trust fund should only reflect the balance of each inmate's personal funds. The purchasing of phone cards, commodities and other items should be purchased through a separate enterprise fund. It is recommended that the sheriff's department separates the purchases of commodities and phone cards into another fund.

Status: Corrected, the Sheriff Commissary fund was created in 2006.

Correctional Facility Maintenance Fund (Prior Comment)

We have reviewed the expenditures in the Correctional Facility Maintenance Fund, some of these items may be utilizing Jail Millage Revenues. The County should contact the Bond Counsel to determine if these types of expenditures are an appropriate use of millage funds in accordance with the ballot language and bond restrictions.

Status: Corrected.

Nonprofit Expenditures (Prior Comment)

The State of Michigan prohibits contributions to nonprofit organizations where there is no contract for specific services. The Department of Treasury has reviewed specific transactions at some local units of government related to 2% funds received from Tribal governments for distributions to nonprofit organizations. The Trust and Agency fund of the County indicates amounts were distributed to nonprofit organizations. The Board should implement procedures to prevent potential unlawful expenditures in this regard.

Status: It appears the County is obtaining the suggested contracts when passing funds through to nonprofit organizations.

Self Insurance Fund

The County has excess health insurance premiums which should be refunded to various departments and agencies of the County. To assist in determining amounts due to individual units, the Board should establish a Self Insurance Internal Service Fund. The fund should record transactions by department or agency to monitor which units should receive a refund or which units may owe at year end. Premiums by unit should be adjusted accordingly.

Additionally, management should develop an agreement with the participating departments and units of government addressing refunds, premium calculations and required reserves. The policy should also state terms regarding termination of participation by one its member as to retention of reserves.

Fraud Policy

With the implementation of statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Personal Property Taxes

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Bid Policy

The County policy allows for preference to be given to local vendors if the local vendor's bid does not exceed the lowest bid by more than 3%. We noted one bid award was given to a local vendor whose bid was 7% higher than the non-local bidder. The County can negate any bid at any time which may conflict with grant requirements. The bid policy should be in compliance with all grant requirements.

State Education Tax

The County maintains a spreadsheet of all collections and disbursements of the state education tax. While reviewing the detail of the general ledger account, it was noted that a few receipts posted to the general ledger were not recorded on the spreadsheet and therefore, were not remitted to the State. It is recommended that the County reconcile the spreadsheet to the general ledger on a monthly basis.

Status: Corrected, the County remitted the excess collections May 1, 2007 to the State.

Check Copies

Due to changes in bank practices, the County does not receive canceled checks. The County should contact the bank to obtain "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, which requires the County implement the Statement for the year ended December 31, 2008. GASB Statement 45 impacts the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to fund these benefits. The County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

Status: The Board of Commissioners as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

This report is intended solely for the information and use of the Members of the Board, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2007